

Objective

The Fund seeks long-term growth of principal and income. A secondary objective is to achieve a reasonable current income.

Strategy

The Fund invests primarily in a broadly diversified portfolio of common stocks. In selecting investments, the Fund invests in companies that, in Dodge & Cox's opinion, appear to be temporarily undervalued by the stock market but have a favorable outlook for long-term growth. The Fund focuses on the underlying financial condition and prospects of individual companies, including future earnings, cash flow and dividends. Companies are also selected with an emphasis on financial strength and sound economic condition.

Benefits

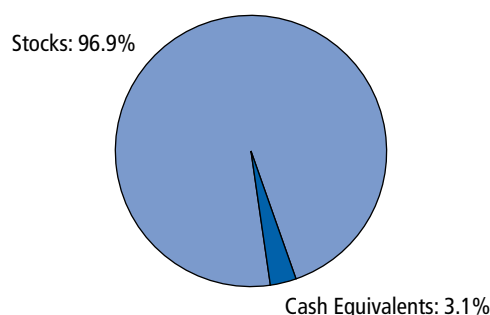
- A simple, low-cost way to own a broadly diversified portfolio of stocks
- Low expenses, No-Load Fund, No 12b-1 plan charges

General Information

Net Asset Value Per Share	\$82.19
Total Net Assets (millions)	\$11,532
2001 Expense Ratio	0.54%
2001 Portfolio Turnover	10%
30-Day SEC Yield ¹	2.00%
Fund Inception Date	1965

Investment Manager: Dodge & Cox, San Francisco. Managed by the Investment Policy Committee, whose ten members' average tenure at Dodge & Cox is 21 years.

Asset Allocation



Stock Characteristics

	Fund	S&P 500
Number of Stocks	83	500
Median Market Capitalization (billions)	\$8	\$6
Weighted-Average Market Cap. (billions)	\$17	\$71
Price-to-Earnings Ratio ²	14x	18x
Price-to-Book Value	1.5x	2.6x
Foreign Stocks ³ (% of Fund)	11.9%	0.0%

Ten Largest Holdings

	% of Fund
AT&T	4.5
Bank One	3.0
Dow Chemical	2.9
Golden West Financial	2.7
Schering-Plough	2.6
FedEx	2.5
ConocoPhillips	2.3
Occidental Petroleum	2.2
News Corp. Ltd., Pref. ADR	2.1
Hewlett-Packard	2.1

Sector Diversification

	Fund	S&P 500
Financials	20.3%	20.8%
Consumer Discretionary	16.0	13.8
Materials	12.1	2.7
Energy	11.4	6.2
Industrials	10.4	11.4
Information Technology	8.1	12.7
Health Care	7.8	15.5
Telecommunication Services	4.8	3.7
Utilities	3.8	2.9
Consumer Staples	2.2	10.3

¹ SEC Yield is an annualization of the Fund's total net investment income per share for the 30-day period ended on the last day of the month.

² The Fund's price-to-earnings (P/E) ratio is calculated using Dodge & Cox's estimated forward earnings and excludes extraordinary items. The S&P 500's P/E ratio is calculated by Standard & Poor's and uses an aggregated estimate of forward earnings.

³ All U.S. dollar-denominated.

Average Annual Total Return*

For periods ended September 30, 2002	1 Year	3 Years	5 Years	10 Years	20 Years
Dodge & Cox Stock Fund	-6.92%	4.25%	5.61%	13.94%	15.65%
S&P 500	-20.46	-12.87	-1.62	9.00	13.20

The Dodge and Cox Stock Fund had a total return of -15.8% for the third quarter of 2002, compared to a total return of -17.3% for the Standard & Poor's 500 Index (S&P 500). While the Fund's performance when compared to the S&P 500 was favorable, it was the worst quarter for the Stock Fund since the third quarter of 1990, when concerns about the economy and Iraq led to a -16.0% return. Year-to-date through September 30, the Fund had a total return of -17.2%, compared to the total return of -28.2% for the S&P 500. Short-term volatility has always been a risk of investing in equities and we encourage shareholders to think long term. At quarter end the Fund had total assets of approximately \$11.5 billion and a cash position of 3%.

Performance Review

During the third quarter of 2002, returns in every sector of the S&P 500 were negative. After largely avoiding the bear market for several years, the Fund has declined with the market in the last six months. The factors that helped the portfolio perform marginally better than the market during the quarter included:

- Good stock selection in the telecommunications sector, where AT&T returned just over 12%, while the telecommunications stocks in the market lost over 26% of their value.
- The utilities, energy and financial stocks in the portfolio did not perform quite as poorly as those in the S&P 500, but still lost -13.5%, -15.5% and -13.6%, respectively.

As could be expected for a period of such broad declines, most of the Fund's individual holdings hurt absolute returns. Weak performers included Xerox (down 29%), Alcoa (down 41%), Dow Chemical (down 20%), and ConocoPhillips (down 21%), among others. In addition, the Fund's underweight position in the healthcare sector and stock selection in consumer discretionary (e.g., May Department Stores, down 30%) hurt relative performance. Market volatility remains very high. Rather than become unduly distracted by short-term risks, we concentrate on how best to invest your assets for the next three-to-five years.

Strategy

We remain focused on the long-term fundamentals for each company and attempt to understand the range of sales, earnings and cash flow that might be generated several years from now. Our research is the product of many hours of work, scrutinizing financial statements, and questioning management, competitors, suppliers and customers in order to ascertain the risks and opportunities of investing in a company. We compare our own estimate of the longer-term outlook to the implicit forecast of all investors imbedded in the price of the stock. A number of valuation techniques are used in our search for companies with a reasonable price. As prices of securities decline, and some of the recent stock declines have been dramatic, we have an ever-changing list of investment alternatives. As the very high valuations and expectations for "growth" companies have come down, Dodge & Cox has begun to purchase a number of companies not held before, or not held for many years. Much of the political and economic concerns appear to be well discounted in the current level of equity valuations. We acknowledge the short-term challenges, but remain focused on the longer-term opportunities.

For further review of the Fund's performance and long-term investment strategy, visit www.dodgeandcox.com and download the Fund's Third Quarter Report to shareholders, which will be available online in November.

October, 2002

* The S&P 500 is a widely recognized, unmanaged index of common stock prices. The Fund's total returns include the reinvestment of dividend and capital gain distributions, but have not been adjusted for any income taxes payable on these distributions. Index returns include dividends and, unlike Fund returns, do not reflect fees or expenses.

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